1990 Farm Bill

Points of Objection

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Remarks

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**REMARKS PREPARED FOR DELIVERY BY
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TO THE CHICAGO FARMERS**

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It's a great pleasure for me to be back in Chicago, especially when it means seeing so many friends and acquaintances. I'd like to thank The Chicago Farmers for extending to me this invitation to talk with you today about America's agricultural future.

As you know, Congress is struggling to resolve differences between their respective versions of the 1990 Farm Bill. What you may not know -- and what I'd like to discuss with you today -- is that in several notable instances neither version reflects what America's farmers have asked for, nor what America's farmers, as well as America's consumers, need.

At stake here is, quite literally, the future of America's farmers, and our competitiveness in the years and decades ahead.

"A Blast From the Past"

To fully appreciate what is at stake in this upcoming Farm Bill, one only has to recall what America's farmers went through during what I refer to as "The Dark Ages," that period in the early 1980's when Congress argued that it could safely raise support levels without damaging competitiveness, without causing higher budget outlays, without leading to increased supply controls, and without hurting American agriculture.

The end result of this "reign of error" was a near-catastrophic failure of America's farming industry and a full-blown depression among America's farmers.

Our competitors climbed under our price umbrella, increased production and undersold us in the marketplace. Here at home, exports plummeted, farm incomes shrank while farm program costs skyrocketed and land prices fell into the pits. Most tragic of all, thousands of otherwise good, productive farmers -- some of them no doubt your neighbors -- simply disappeared, losing out not to better farmers from across the county, but to misguided, short-sighted farm policies enacted by non-farmer politicians in Washington, D.C.

Thankfully, enlightenment -- and just plain old common sense -- was there, just waiting to be used. In 1985, at the height of our farm depression, a farm bill was passed that helped put America's farmers back on the road to prosperity.

By refocusing our farm policies toward market-driven programs, American agriculture became internationally competitive once again, reclaiming lost markets and lost income. The artificially high loan rates of the 1981 bill were decreased and a host of other changes were made to reflect a market-oriented farm economy. Those changes also reflected a new international orientation, a realization that we must compete in a global marketplace. The results speak for themselves. The Food Security Act of 1985 helped build farm exports from $26 billion up to $40 billion, reduced carryover stocks, raised net farm income to new record highs, reduced farmers' debt loads, and eventually pared Government farm support costs from $26 billion to $8 billion.

Well folks, it's election year, and guess what? Better bring in the cattle and lock the tractors in the barn, 'cause the politicians are on the prowl, and a lot of them are looking for politically expedient, short term solutions to whatever problems they think you have.

"Back to the Future"

Why else would Congress even entertain the idea of returning to the failed policies of the 1981 Farm Bill, much less write these same policies into a farm bill for the 1990's?

Why else would Congress think that, five short years after near-catastrophe, they can manipulate loan rates without affecting America's export competitiveness?

Why else would Congress, even after hearing America's farmers tell them to leave the Farm Bill alone, produce a 1,600 page document wrought with changes?

And the gall of it all, the one thing American farmers have asked for, planting flexibility, Congress refuses to grant. What's going on? Does Congress think that farmer's can't remember ten, even five short years ago?

Well, farmers do remember. They have vivid memories because they pay the price for short sighted, wrong headed policies.

Do they think America's farmers will sell America's agricultural soul for an increase in loan rates? Well, they won't, unless that result is foisted on them by the Congress. Farmers know better.

"A Horse Is a Horse...?"

Congress is betting that the farm community will follow the adage of not looking a gift horse in the mouth. I think they're making a big mistake.

Farmers are not a bunch of country bumpkins, and this is one gift horse America's farmers will look in the mouth. When they do, they're going to see a Trojan horse in our midst, with a belly full of malodorous policy cadavers left over from the pre-'85 farm bill, cadavers which haven't seen the light of day for five years, but which Congress proposes to turn loose to run amuck in our farm sector, convinced the results will be much better, this time. I suppose that could be called optimism.

All this is a shame, because Congress and the Administration worked hard to get a very good farm bill on the books in '85, and we can do the same in 1990, regardless of the partisan shrill of some members of Congress who claim the Administration hasn't come forward with sufficient guidance for a 1990 Farm Bill.

Nothing could be further from the truth. It wasn't that the Congress had no guidance from the Administration and the Secretary of Agriculture. They simply chose to ignore much of that guidance, and to ignore much of the input they got from farmers themselves.

"Red Means Stop, Green Means Go"

After talking with America's farmers, farm organizations, commodity groups, agribusiness and industry representatives, the academic community, and members of Congress, we published a book back in February that spells out in great detail the Administration's proposals for continuing the successful course set in the 1985 legislation.

We call it our "Green Book," our "go" book, because it's filled with workable, proven policies -- all of them building on the successes of the 1985 Act, while avoiding the mistakes of 1981. Though time won't allow me to review all of these proposals with you today -- the Green Book consists of more than 145 pages worth of very specific policy recommendations -- I would like to mention a few of the more obvious areas where important differences between the Administration and Congress still exist.

Dairy: The proposed legislation provides a rigid price floor of $10.10/cwt. and provisions which are certain to bring production quotas or other draconian supply control measures as surpluses build up at the fixed floor price. This combination is ill-conceived and self-destructive. It will clearly lead us down a path to gigantic surpluses, and is designed to place the cost burden of those surpluses on the backs of American consumers.

Dairy farmers are already beginning to expand production, even before these provisions become law! California milk production in July was up 8 percent from a year earlier, and the whole country's was up 5 percent. Expansion is encouraged by the price floor, and even more so by the expectation that supply controls will be introduced when surpluses arise. Producers are beginning a "race for base" in anticipation of regulated quotas limiting their domestic marketing. If the legislation passes in its present form, we'll be well on our way to creating a permanent regulatory apparatus for U.S. dairy production.

These provisions are the antithesis of market principles, diametrically contrary to the progress and principle of the 1985 Farm Bill, and must be changed. Such retrogression is not acceptable. Our export oriented industries -- corn, soybeans, cotton, rice, wheat, cattle, hogs, and others -- should pay close attention to what the Congress does on this issue. Passage of this pending dairy legislation could demolish their opportunities for opening up additional export markets.

Loan Rates and Acreage Reduction Programs (ARPS): Though these are separate issues, the policy consequences are nearly identical, so I'll treat them together.

Whenever prices trend downward, as they have on wheat in recent weeks, there is always a temptation for Congress to raise loan rates, take land out of production, or both. The latter presumably will raise prices by reducing supplies in future years, and the former provides a price floor for products that farmers have not yet sold. These are politically expedient moves, and they provide at least some short term benefits to farmers.

But we must have a longer term view than that, or we'll discover that we've helped ourselves in the short run while shooting ourselves in the foot in the long run. That is precisely what we did in the early '80s and we all know the results. Higher price floors led to a huge accumulation of surpluses, our exports collapsed, farm incomes plummeted, land values deteriorated, and thousands of farmers went out of business. All this while government thought it was helping!

We simply must learn that higher loan rates may provide a more attractive safety net for our producers, but they also provide a similarly attractive price umbrella for our competitors. The impact of the latter often overwhelms the former, and that gets us all in trouble. Our price umbrella stimulates a production response in competitor nations, and those additional supplies come back to haunt us on the world market. We've repeated that unfortunate experience on numerous occasions over the past half century and loan rates higher than those provided for in current law should be rejected out-of-hand.

Encouraging higher ARPs, or other schemes to take land out of production, has the same effect. Why do you suppose negotiators from other countries are clamoring in the Uruguay Round for the United States to sustain or increase its set-aside acreage? Not because they're interested in our farm incomes, I assure you. It is because they are interested in <u>their</u> farm incomes! They know that if we'll "unilaterally disarm" by pulling additional land out of production, that makes us less competitive and gives them a golden opportunity to increase market share. We cut back our production; they increase theirs. A good deal if you can get it -- for them! We did that to ourselves just a few years ago, and we've been paying for that mistake ever since. I'm going to do everything in my power to avoid that result now, and that means we're going to have to change a number of ARP provisions in the 1990 Farm Bill.

Flexibility: Every farmer I've talked to since becoming Secretary of Agriculture

would like more flexibility in his operations. Every farmer I've talked to would like to see farm programs simplified. Every farmer I've talked to would like to make more of his own decisions, and have fewer decisions imposed upon him by the federal government.

So what does Congress do? It passes a 1,600-page piece of legislation that goes in precisely the opposite direction! Why would Congress do such a thing -- seemingly contrary to the wishes of its own constituency? Everyone is entitled to his own analysis of that phenomenon, but my view is that Congress does not want farmers to make their own decisions. Political power comes from having those decisions centered in Washington, D.C., and Congress likes power. The same analysis applies to farm organizations. Their survivability and their staff jobs depend on political activity here in Washington. Putting decisions in farmers' hands makes Congress and farm organizations less relevant. Hence, there is a strong self-interest motivation on the part of many members of Congress and many farm organizations to make farm programs rigid and complex, rather than simple and flexible.

Who pays the price? The farmer, of course. And the environment, for rigid, inflexible farm programs clearly bring about more environmental degradation than would otherwise be the case. It is ironic that environmental groups paid little attention to the flexibility issue during the farm bill debates, even though the Administration's flexibility proposal would probably do more for environmental protection than all the rest of the bill's environmental provisions combined.

Is this situation reparable? Not entirely at this late date, but the conferees could still make a number of changes that would significantly enhance flexibility. Let's hope that farmers, environmentalists, and the Administration can, over the next two weeks, build a persuasive case for doing that.

Target Prices/Deficiency Payments: Earlier this year, some members of the Agriculture Committees criticized me for being unwilling to specify the Administration's target price objectives. They wanted those numbers as 1990 campaign fodder, of course! So there were sound political reasons for us not to provide them at that time. But I also pointed out that budget constraints would determine the level of income supports for American agriculture, and that we did not then know what those constraints would be. As of today, we still don't know, for Congress and the Administration have not yet reached agreement at the Budget Summit. Hopefully, they will do so within the next few days.

It is possible that a summit agreement will provide the target price/payment base parameters for U.S. agricultural policy over the next five years. If not that specific, the agreement will provide a budget sum, and the task of allocating that sum will go to the farm bill conferees. We will offer our views in that proceeding.

The choice will be to adjust target prices, payment bases, or a combination of the two, crop by crop. Congress and the Administration must try to work this out in a way that

will be fair and equitable, and advantageous to American agriculture as a whole.

<u>Sugar:</u> American sugar policy has some of the same shortcomings as our dairy regime. Somebody pays, and the policy debate is over whether that should be the taxpayer, the consumer, or a combination of the two. In recent years that burden has been entirely on the consumer, because present legislation calls for the program to operate at no cost to the taxpayer.

That foundation is now very shaky. With a price support of $0.18/lb., sugar production in the United States has expanded, and import quotas have had to be reduced in order to avoid forfeitures of sugar to the government.

Crunch time is coming, and the answer of our sugar industry has been to add to the 1990 Farm Bill provisions for a stand-by program of marketing allotments. What this means is that we're about to create another program where the government will artificially shrink supply in order to protect the taxpayer. What is not mentioned is that this will zap the consumer even more than at present.

Our view at the beginning of the farm bill debate was that Congress should simply not tamper with the sugar program in 1990, but should await changes that would be negotiated in the Uruguay Round. In other words, we and other sugar producing nations should go down the reform road together. I still believe that makes the most sense. The House, however, could not resist the temptation to change the program. In our judgement, they made it worse, and that needs to be corrected in conference. If we're going to change it, let's make it better! Movement to less market orientation via supply management is something that should not be accepted.

<u>Marketing Loans for Oilseeds:</u> Our soybean producers have pushed hard this year for some kind of legislation to give them a boost in the international marketplace. My personal view is that the proper way to do this would be through a target price/deficiency payment program, similar to the one that has long been in place for feed grains and wheat. But budget considerations made that impractical, so oilseed producers turned to the marketing loan framework as an alternative.

Unfortunately, there is major budget exposure in this proposed program, and that will have to be considered during the conference committee deliberations. The Congressional Budget Office does not now recognize that exposure, but that could change as this process evolves.

In addition, this program creates at least five or six new program crops -- sunflowers, safflower, flaxseed, rapeseed, canola, and mustard seed. Market loans for these threaten to become an administrative nightmare. For some of these crops, a good data base on either U.S. or international prices does not now exist. It is an impossible task for the Department to administer programs for which the underlying data is not available. Such a

situation is bound to generate inequities and distortions. How do we mesh U.S. and world market prices to make us competitive in an oilseed where there is no world market?

Conferees should look very closely at this entire proposal before we get ourselves in a position that might do oilseed producers more harm than good.

Studies: Whenever Congress discovers an issue for which legislation would be premature, or one that is just too hot to handle legislatively, the response is to ask someone to study it. That someone is usually the Department. The 1990 Farm Bill calls for over 100 studies, surveys and reports to be done on a variety of issues from Canadian alfalfa seed exports to composting.

We don't mind doing studies, and we believe we do them well. But over 100 of them? That takes a lot of time, money and manpower. The conferees ought to jettison the low-priority studies, or give me the privilege of doing so, and let us get on with administering our many programs.

Micromanagement: Finally, as a nation we legislate too much these days. We cannot solve all the problems of the world -- or even of U.S. agriculture -- in Congress. A lot of these alleged or perceived problems ought to be handled by the private sector, and legislative bodies ought to keep their hands off. And those which do demand a legislative solution can often be dealt with at lower levels of government. We seem to be returning to a trend of trying to solve problems in Washington, D.C., rather than locally, and of solving problems by regulating everything and everybody. That is a trend that was resisted ferociously, and with considerable success, by the Reagan Administration, but it has now come back to challenge the Bush Administration. We intend also to resist Congress' tendency to micromanage and over-regulate, but we'll need the help of the American public in doing so.

The 1990 Farm Bill has plenty of examples of Congressional micromanagement. We do not need a 1,600-page farm bill! It encompasses too much government, too much direction to farmers, too much regulation, too much infringement in people's lives.

We ought to be able to do better. And we can do better; 1985 proved that. The question today is, will we? Have we learned from the past, from the mistakes of 1981, or, as the adage goes, are we doomed to repeat them?

"Back To the Future...Ag-Style"

The premise that made the "Back to the Future" movies so enthralling was the ability of the good guys, as well as the not-so-good guys, to jump aboard an old DeLorean time-travel machine and blast back and forth from past to future, gaining a first hand account of the cause-and-effect of seemingly insignificant individual actions.

I've often thought that if I had a time-travel tractor and could take members of Congress "back to the future," they wouldn't be as eager to resurrect some of the ill-conceived portions of their dead-and-buried farm bill of 1981 as they seem to be.

But I'm always an optimist. And I'm still confident that clearer visions will ultimately prevail in the halls of Congress, and they will listen to what America's farmers, and the Bush Administration, are trying to tell them: Please, we've lived through the past, and we've seen the future. The past can indeed be a prologue for the 1990 Farm Bill, but the future of America's farmers should be based not on the tragedy of 1981, but on the triumph of 1985.

Let's build on past successes, not past mistakes. Call your representatives and tell them to build on '85, not return to '81. Or, just tell them "green means go."

We'll make sure they know what you're talking about.

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Foreword

Events over the past year prove once again that nothing is certain but change. In Eastern Europe, the Soviet Union, and elsewhere, changes are occurring that offer great opportunities and great challenges for American agriculture. And, once again, the U.S. Congress is faced with the task of passing a farm bill—the 1990 Farm Bill. This farm bill must deal with the realities of dynamic world markets.

The bill that results from this year's conference can either reduce the ability of U.S. farmers to deal with a changing world as the 1981 Act did; or it can help our farmers compete in world markets, as the 1985 Act did. The House and Senate bills provide the potential to produce new legislation that will move beyond current law and enhance agriculture's ability to respond quickly to global opportunities.

Farmers must have a farm bill soon. The problems with the House and Senate bills can be corrected. In our recommendations to the Conference Committee, we follow four fundamental objectives for the legislation:

- Less restrictive supply controls and planting provisions for farmers.
- Price support levels that reflect market prices and promote competitiveness.
- Farm income support, food, and rural development programs that are consistent with market and budget realities.
- Reduced administrative complexity and pointless regulation.

The pages that follow lay out the principles which should guide the conferees, and highlight priority items which must be changed if we are to have an acceptable 1990 Farm Bill which will serve American agriculture well.

Clayton Yeutter
Secretary of Agriculture

1. Supply Controls

Principle:
Less restrictive supply controls and planting provisions for farmers.

Background:
Farm supply control programs have changed over the past several decades to reflect the growing dependence of U.S. agriculture on exports, which now account for over one-third of harvested acreage. Mandatory production quotas and similar programs were rejected in the 1960's because their excessive restrictions prevented efficient farmers from expanding, thereby reducing our competitive advantage in world markets. Furthermore, when the U.S. has attempted to control world supplies unilaterally, foreign producers have expanded production and increased their trade share. Their expansion increased the pressure for even more U.S. supply control and made restoring our competitive position costly and difficult.

Current programs continue to rely exclusively on acreage reduction programs to balance supply and demand and control budget outlays. Program rules and incentives force farmers to plant the same crop year after year.

The new farm bill must be more responsive to the needs of agriculture. Market incentives, rather than artificial incentives, should have greater prominence in balancing supply and demand. Farmers should have more freedom to plant the crop they can produce most efficiently and profitably.

House and Senate Farm Bills:
Unfortunately, Congressional action to date has failed to provide the needed flexibility. Moreover, the Congressional bills have even expanded the use of supply controls for nontarget price commodities.

- **Dairy:** The House and Senate abandon market-determined price support levels and require either supply controls or two-price programs when dairy product surpluses mount.

- **Sugar:** The House requires domestic marketing allotments on sugar and crystalline fructose if sugar imports fall below a specified level.

- **Planting flexibility:** The House and Senate provide only limited base protection if a program crop producer switches to certain other crops. Program crops may not be grown on oilseed acres and the producer would lose program payments if the alternative crops are planted. Loss of payments means it will not be profitable for farmers to switch crops, so they will continue to farm the program crop regardless of market incentives.

- **Cotton:** The House and Senate mandate a paid land diversion program if stocks are expected to exceed certain levels. The Senate bill is particularly troublesome in that it establishes a stock level that is both a maximum and a minimum and must be achieved regardless of market conditions.

- **Feed grains:** The House allows producers to increase their per-acre program payment yields and then requires that the acreage reduction program be in-

creased to offset the higher cost of the new yields. The House also has inconsistent acreage limitation provisions. If stocks exceed 22.8 percent of use and are equal or less than 25 percent, no acreage reduction program is required. However, if stocks-to-use levels **are less**—in the range of 21.6-22.8 percent—a minimum acreage reduction programs of 11.6 percent is required.

Administration Position:
New supply control programs should be avoided. Existing supply control programs should be made more flexible by allowing farmers to choose which crops to plant on the basis of market prices rather than program incentives.

2. Price Support Levels

Principle:
Establish price support levels that reflect market prices and promote competitiveness.

Background:
A vast majority of farmers have indicated that they agree with the principles and the market-oriented, competitive direction of the 1985 Farm Bill. Farm income has risen to new highs, farm program spending is down, and export earnings have recovered dramatically. The 1985 Act contained market-driven loan rates with ample authority in wheat and feed grains for the Secretary of Agriculture to ensure loan rates are set so as not to interfere with market prices. For soybeans, the 1985 Act contained a similar market-driven formula but with a minimum loan rate of $4.50 per bushel.

As a result of these market-determined loan rates, and notwithstanding target price reductions, U.S. agriculture is far healthier today than it was five years ago. The U.S. soybean industry has faced competitiveness problems caused by rigid, inflexible farm programs that limit soybean production.

House and Senate Farm Bills:
Regrettably, the versions of the 1990 Farm Bill as passed by the House and Senate reverse the successful, market-oriented course of the 1985 Act and increase support levels.

- **Wheat and feed grains:** Loan rates under the House and Senate bills would exceed current levels and those permitted under a continuation of current law.

- **Oilseeds:** The House and Senate Bills require marketing loans for soybeans and sharply increase the loan rate. Moreover, new marketing loan subsidy programs are established for at least seven other oilseeds in the House bill and five other oilseeds in the Senate bill.

- **Dairy:** The current market-oriented formula that adjusts the dairy price support to surplus production and government purchases is adandoned. Instead, the current minimum support price is frozen for five years.

- **Sugar:** The House changes the loan rate formula for beet sugar, and both bills change the length of the loan period resulting in higher price supports for sugar.

- **Peanuts:** A cost of production inflator is used to set the peanut support price in both the House and Senate bills.

In the late 1970's and early 1980's, Congress acted in the belief that it could safely raise support levels without damaging competitiveness, without causing higher budget outlays, without leading to increased supply controls, and without hurting American agriculture. Unfortunately, the results from that experience were devastating. Our competitors climbed under our price umbrella, increased production, and undersold us in the marketplace. U.S. supplies went to government bins rather than to the market, farm program costs skyrocketed, exports plummeted, acreage set-asides soared, farm incomes and land values collapsed, the farm credit system came apart at the seams, and we lost thousands of excellent farmers.

The same arguments made in the late 1970's and early 1980's have been made again during the 1990 Farm Bill debate and some seem determined to risk a repeat of the devastating results which followed after those earlier arguments prevailed.

Administration Position:

Support levels should reflect market prices and promote competitiveness. The successful, market-oriented path of the 1985 Farm Bill, which made and kept U.S. commodities competitive in world markets, should be retained. Conferees should alter or eliminate, as appropriate, provisions inconsistent with that objective.

3. Farm Income Support, Food, and Rural Development Programs

Principle:

Farm income support, food, and rural development programs must be consistent with market and budget realities.

Background:

One of the best things Congress could do for American farmers is to cut the deficit and by so doing bring about lower interest rates, reduced farm production costs, and stronger overall economic growth.

The 1990 Farm Bill must be consistent with federal budget realities. Both the House and Senate farm bills are projected to cost more than a continuation of current law. Some commodity provisions add to the cost, but both bills carry higher price tags for other programs as well, including food assistance and rural development.

Estimates of higher federal spending on farm and food programs are troublesome from another standpoint. The House and Senate bills will increase spending even if economic conditions in agriculture are reasonably good. If commodity markets turn weaker in one or more years during 1991-95, or in the case of food programs inflation is worse, the bills would cause spending to skyrocket.

House and Senate Bills:

The House and Senate versions of the 1990 Farm Bill include many provisions that raise federal spending.

- **Food programs:** Compared with current law, the House bill increases basic food stamp benefit levels over time and allows additional deductions and exclusions from income used in determining a household's eligibility to receive food stamps. Costly changes in the food stamp program include, among others: raising the limit on the shelter deduction; raising the basic allotment relative to the Thrifty Food Plan; and raising the value of the motor vehicle limitation in determining income. The House bill also increases funding for other food programs. As a result, the House bill could raise outlays for food programs during FY91-95 by more than $5 billion above current law.

- **Rural development:** The House and Senate have included their respective previously approved rural development bills (H.R. 3581 and S. 1036) in these farm bills. The Secretary of Agriculture, with concurrence from OMB, has already stated that he would recommend disapproval of the House and Senate rural development bills. The House bill contains an additional $3.8 billion in budget authority over five years with outlays estimated to be $2.4 billion, of which $700 million is mandatory spending, over the same period. The Senate bill contains an additional $1.6 billion in budget authority and just under $1 billion, of which $120 million is mandatory spending, in outlays over five years. Both bills also contain features that the Administration has objected to for reasons other than spending.

- **High price bonus:** The Senate requires that producers receive 20 percent of the difference between the final deficiency payment rate and the projected payment rate, if the final rate is lower. The final payment rate will be lower than projected only if market prices are higher than anticipated. This provision is not only costly, it simply makes no sense to compensate producers for higher prices.

- **High ARP bonus:** The Senate requires that target prices for wheat and feed grains be increased if the wheat acreage reduction program (ARP) is raised above 22.5 percent and feedgrains above 17.5 percent.

- **Barley deficiency payment:** The House excludes the malting barley price from the barley deficiency payment calculation even though malting barley producers are eligible for the payment. The Senate limits the use of the malting barley price. The result of either version is a larger barley deficiency payment and preferential treatment for barley relative to producers of other crops which have different qualities that command a market premium.

- **Oat target price:** The Senate raises the oat target price from the 1990 level of $1.45 a bushel to $1.85 by 1995. Target prices for other crops are frozen at 1990 levels in both bills. There is no reason to give oats such special treatment. The market price, not the target price, should indicate whether more oats should be produced.

- **Wool and Mohair:** The House bill continues current law which ties support prices to changes in the parity index, regardless of market conditions.

Administration Position:
Food assistance programs should be reauthorized and fully funded according to current law. Farm income support levels should not be raised either directly or indirectly through changes in the method for computing payments. All of the provisions just enumerated should be jettisoned from the bill.

4. Complexity and Regulation

Principle:
Administrative complexity and pointless or harmful regulations should be reduced.

Background:
The printed Senate Farm Bill is 1,675 pages long and the House bill 1,300 pages. Much of this length spells out new areas of governmental involvement in agriculture far beyond the scope of traditional farm programs and imposes unnecessary and costly burdens on American farmers. And the traditional programs themselves have been made more complex and arcane, some to the point of absurdity. Farmers want less government involvement and farm program complexity, not more.

House and Senate Farm Bills:
Examples of just a few provisions that increase program complexity and regulatory activity:

- In addition to the existing farm programs, the bills confront the farmer with new requirements and confusing, duplicative, and oftentimes conflicting options. For example, the farmer must make decisions on the Target Option Program (TOP) for trading off target prices and acreage idled; planting certain crops on idled land; signing contracts for altered farm production practices under one or more Water Quality Incentive Program or Integrated Crop Management Programs; entering wetland reserve, tree planting, or wildlife food and habitat programs; and a range of possibilities for planting alternative crops on program crop acreage. Each of these choices involves rewards and constraints for farmers which are difficult to assess one provision at a time, and practically impossible to assess all at once. Yet, all this complexity does not achieve the simple objective of allowing planting decisions based on market prices rather than government programs.

- New provisions and new programs in the bills will cause further growth in governmental regulation of farms, requiring detailed contractual arrangements which must be approved and monitored by government agencies, not only the traditional USDA agencies but also the Fish and Wildlife Service, Environmental Protection Agency, and Food and Drug Administration.

- Beyond the farm gate, the bills require detailed regulatory intervention in the areas of "organic" food products, labeling with regard to country of origin, new grain quality standards, a de-emphasis of quality standards based on appearance of fruits and vegetables, and severe restrictions on the export of pesticides.

- The bills require USDA and other agencies to carry out more than 100 new studies, reports, and surveys. Some of these activities are quite costly. For example, a required survey of nonfarm uses of pesticides (by golf courses, homeowners, parks, etc.) is estimated to cost about $5 million. At the same time, farmers are required to maintain records of their use of pesticides of all kinds, and government agencies will have to spot-check farmers to try to verify that these records are kept and kept accurately.

While no single one of these provisions makes the bill unacceptable, and indeed the provisions are motivated by good intentions for the environment and food safety, their cumulative impact is to impose unacceptable governmental micromanagement of agriculture. The provisions place at risk the market responsiveness of what has been the world's most efficient food production and marketing machine. Beyond these problems, the cumulative impact runs a real risk of producing a bill so bloated with bureaucratic entanglements that no farmer can figure it out.

Administration Position:

The conference provides an opportunity to pull back from the bill's headlong bureaucratic and regulatory rush. This is readily achievable because many provisions are absent from one bill or the other. The appropriate outcome would be to drop most of these provisions. If new programs remain, they should in many cases be made into small pilot programs or studies. And the total number of studies should be cut to a manageable level, as a Senate provision for a ranking and choice of 12 studies in total suggests.

Summary

The 1990 Farm Bill has so far missed the opportunity to build on the successes of the 1985 Act. Instead, in many areas the 1990 bill reverses that course and heads once again down the path of massive federal involvement in American agriculture. Let us hope that the Administration and the conferees can cooperatively put this bill on the right path as the conference proceeds.